

**Malcolm Baldridge National Quality Award
1999 Award Recipient, Small Business Category**

Sunny Fresh Foods

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Operating three manufacturing facilities with a total of 380 employees, Sunny Fresh Foods (SFF) manufactures and distributes more than 160 different types of egg-based food products to more than 1,200 U.S. foodservice operations, such as quick service restaurants, schools, hospitals, convenience stores, and food processors. Products include refrigerated and frozen liquid pasteurized eggs and scrambled egg mixes, zero-cholesterol and fat-free egg products, omelets and other pre-cooked frozen entrees, and peeled hard-cooked eggs.

SFF is headquartered in Monticello, Minn., home to two-thirds of its workforce. It also has food-processing plants in Lake Odessa, Mich., and

Panora, Iowa. It is a subsidiary of Cargill, Inc., a privately held company. Customer-satisfaction approaches developed by the subsidiary have been adopted as a model by the parent company, for use in other business units.

About 40 companies compete in markets for further-processed egg products. SFF has over 19 percent share of the U.S. market and ranks second in the industry, up from 14th in 1988.

Highlights

- One hundred percent of customers are satisfied or very satisfied with SFF in three of five key categories; more than 90 percent are satisfied in the other two areas.
- Production employees rotate work stations every 20 minutes to prevent repetitive stress injuries and boredom and to reinforce quality processes.
- Return on gross investment has tripled over the last five years; annual increases in operating profits have averaged 25 percent over the last five years.
- Total waste was reduced 21 percent, while production volume grew 10 percent from FY '96-'97 to FY '97-'98.

Motivating Workers, Growing Business

At SFF, a satisfied, motivated workforce is a vital ingredient of the company's successful operational and business performance. As measured in annual surveys, employees' rising level of satisfaction and their nearly complete awareness of how their jobs affect customers (98.1 percent in 1998) correlate directly with increasing customer satisfaction. This combination of improvements has enabled the company to expand sales by an average annual rate of 25 percent over the last five years.

SFF refers to its workers as "stakeholders," an acknowledgment of their integral role. And it makes sure that these stakeholders share in the benefits of continuous improvement. For example, the base pay level is set at slightly below the industry midpoint for salaried stakeholders, but incentives can increase earnings to above the 75 percentile. In addition, an extensive reward and recognition system— from monetary rewards for exemplary safety performance to an extra vacation day for quality achievements—also helps to motivate employees to contribute to the company's progress toward its improvement goals.

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Setting Goals, Staying on Track

SFF uses a variety of methods and tools to set strategic direction and distill long- and short-term goals into key actions for individual functional units and workers. In 1997, the management team developed "SFF 2005," a vision of what the organization will look like eight years into the future. It established long-range targets for sales and profit, new product lines, international markets, and new or expanded operational capabilities. SFF 2005, in turn, guides the management team's formulation of the company's five-year strategic plan, milestones, key strategies, and action plans.

Action plans, along with performance measures for each, are aligned with SFF's six key business drivers: work process improvement, competitive advantage, positive work experience, customer focus and satisfaction, supplier relationships and performance, and support services. This serves as the basis for the annual operating plan, including key indicators for tracking progress toward each performance improvement target.

Plan deployment is achieved with SFF's integrated performance management process. Key results areas (KRAs) and corresponding measures are established for each functional unit in the organization. KRAs also are established for each employee as part of a written record of performance expectations, jointly developed by supervisor and employee. Other elements of individual performance plans are targets for strengthening competencies, such as communication and problem-solving abilities, and for developing technical skills. Key Indicator Reports assess short-term organizational performance, tying it to SFF's core values, key strategies, and long-term goals. These weekly reports display critical performance measures and are analyzed for trends to identify opportunities and areas requiring corrective actions. In monthly management-team reviews and quarterly business reviews, these indicators are summarized in a "balanced scorecard," a progress update viewed from the perspective of SFF's six key business drivers.

Also on a monthly basis, management evaluates the overall health of the company, using a financial summary of measures derived from a value-based management system. This system helps managers to assess strategic options according to their anticipated contribution to future financial performance. It also is useful for comparing SFF's performance with that of competitors.

Relationships with Customers

SFF aspires to be the supplier of choice to its customers worldwide. Strategies are intended to sharpen customer focus and to foster long-term relationships, ultimately aimed at becoming not only the preferred supplier, but the primary or even sole supplier for targeted accounts. Products and services are designed to address the chief value drivers in targeted customers' markets, identified through research and regular interactions with customers. Examples of these value drivers, which vary in importance among market segments, are food safety, cost management, nutrition, and ease of use.

To determine high-priority requirements, SFF uses an integrated customer contact approach, which goes well beyond assigning exclusive account managers. Functions within SFF are matched with units in a customer's organization and points of contact are designated. For example, a member of SFF's research and development staff is assigned to work with the division responsible for menu management at a national chain of quick service restaurants. These interorganizational connections permeate the entire company.

Sustained contact at multiple levels enables SFF to anticipate emerging customer requirements and to respond quickly with innovative products and services.

Innovations, a near perfect record for on-time delivery, and high levels of customer satisfaction have helped SFF to earn sole-supplier status from several major national restaurant chains. Many customers also have recognized SFF's superior performance with supplier awards.

In its 1999 customer survey, SFF earned scores of 100 percent on three of its five key indicators of satisfaction—on-time delivery, technical support, and customer service access. Scores on the other two—product performance and product freshness—topped 90 percent. Not coincidentally, claims filed by customers have dropped precipitously from initially low levels to substantially better than six sigma levels of quality.

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